

Remarks for

The Hon. Steve Preston

Administrator

U.S. Small Business Administration

Delivered at the

HOPE AND RECOVERY SUMMIT

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I'd like to thank Senator Landrieu for the invitation and the very kind introduction. The Senator is a member of the Small Business and Entrepreneurship Committee in the U.S. Senate and she has been a great partner in our efforts to change the face of disaster response in this country. I appreciate the opportunity to speak today about SBA's role in helping New Orleans to recover and rebuild.

I think the title of this event is apt—"The Hope and Recovery Summit." It's appropriate because as we stand here together, nearly two years after Hurricane Katrina, we can see that there is still a lot of work left to be done, but that there is also a lot of progress and hope in the area. This community has proven that it can survive and wants to rebuild, to create a better, stronger New Orleans for the future.

I especially appreciate the Senator's encouragement in this summit that we look to the future. We need to focus on what we need to do to support the region's residents and small businesses as the economy and way of life here recovers. And we also need to look at the new ideas and changes we are all working on as we re-shape disaster relief for the future of this country.

In the first year after Katrina, the SBA had tremendous difficulty in meeting the needs of the people in the Gulf. I am proud of the great progress the SBA has made in the Gulf and in disaster recovery more broadly in the last year. We have disbursed \$6 billion in loans to 120,000 home and small business owners. That money is at work in the Gulf right now rebuilding homes and businesses and supporting the local economy.

In addition, SBA has completely reengineered its Disaster Assistance program:

- To provide a faster response
- To have a less confusing process
- And to help borrowers through each step of the process by giving them a case manager who is accountable to them.

We are better coordinated with federal, state, and local governments as well as non-governmental organizations.

Earlier this summer, we submitted the agency's readiness plan for major catastrophes to Congress, laying out the step-by-step process for how we will respond and the foundation we have laid.

Recently, we've seen some reminders of what disasters can do to communities. Many states in the Midwest experienced widespread and intense flooding last week, the likes of which haven't occurred there since the early part of the last century. We were fortunate that one of the worst hurricanes in recorded history, Hurricane Dean, took a path that minimized the potential damage to major population centers, although it still took a great toll. We are reminded of the importance of the work that we do and what can happen.

As we look forward, we need to work creatively and strategically toward long-term sustainable economic recovery – and that's why it is absolutely essential that we fix our sights squarely on small business.

We talk so often about large employers because they make the headlines – the small firms, in so many ways, drive our economy, especially in communities in distress.

Small firms are $\frac{1}{2}$ of America's non-farm GDP and create 60-80 percent of all new jobs in America. That's huge when you consider that over 8 $\frac{1}{2}$ million new jobs have been created in America in the last 4 years. Small businesses are fertile innovators. They are growing our export economy. And, they understand the needs of their communities, because often everything they have is based there.

Millions of Americans wake up every day and go to work at their own business, committed to succeeding so they can support their families and build something of their own. The American spirit of entrepreneurialism has driven our economy since our founding, and today it is more important than ever before.

In the New Orleans region, small businesses must play a central role in the economic picture to propel this community forward. According to the recently issued New Orleans Index, two-thirds of New Orleans residents have returned, and in the region as a whole, it's 83 percent. The job force, total number of employers, and sales tax revenue are all at least 79 percent of where they were before the hurricane. Unemployment in the metro area is right around five percent, and since the one-year anniversary, the region has recovered nearly 20,000 jobs. The challenges are still there, but New Orleans is moving forward.

We're also seeing new business growth in the New Orleans area. Orleans and St. Tammany Parishes have each had more than 1,000 employers move in since the storm; Jefferson has had over 1,600, where the number of firms is at 93 percent of where it was before the Hurricanes.

However, the same studies also show that the post-disaster economic effect, the construction and the recovery-related jobs, have hit a plateau. And we all know, statistics can only tell you so much. You just need to drive around the many neighborhoods of the city to see that big challenges remain. We need to provide support to enable long-term sustainable economic strength.

Many economists and experts in community growth around the country agree that small business is a key to the growth of transforming geographies. Studies have shown that small businesses are not just valuable for the overall economic impact. Small businesses open the door to better economic opportunities for the working poor in our country – fueling the dreams not only of their owners, but also of the people they employ.

We can see where some of the greater challenges and opportunities for growth lie by looking at how industries have been affected. Two of the areas where New Orleans has seen real challenges are in fact the two sectors that created over half of the new jobs in the United States in the second quarter —education & health services; and leisure & hospitality. Those two segments have not yet recovered over 40,000 jobs.

There is an opportunity here, but more importantly, it's essential that we support industries that are vital to this city and provide the right kind of infrastructure so the economy can reach its potential.

In that spirit, I would like to outline three ways SBA is moving forward with its mission to change the nature of disaster relief in the United States, as well as SBA's role in helping New Orleans meet its challenges and exceed expectations.

First is capital: I spoke earlier about the \$6 billion in long-term low-interest disaster loans we have made to disaster victims in the Gulf. That money is specifically for rebuilding and recovery. But we also guarantee loans made by private lenders, credit unions, and community development corporations.

These are loans in which private lenders are investing into the community. This is new money that is coming to Louisiana, to start new businesses, expand existing businesses, to grow working capital, and build facilities and ultimately create jobs and fuel the economy. I'm excited to announce that the SBA Louisiana District is on pace to have a record year in guaranteed lending. We have already guaranteed nearly 1,000 loans for \$130 million, and we have another month to go in our fiscal year.

In addition, we are seeing dramatic growth in loans to firms owned by women and minorities. We have matched and exceeded the goals for veterans and international trade. We have 68 banks participating in our loan programs this year, and I wish I could take the time to read you each of their names. They've helped us beat all of our program goals for 2007.

This is forward-looking money, and this is really about recovery and hope. This is about the SBA helping small businesses create jobs and opportunity in Louisiana, and I'm very proud of the efforts of Eugene Cornelius and the rest of the District Staff in making this happen.

Second, SBA supports providers of counseling, training, and technical assistance to entrepreneurs like the Women's Business Center and Small Business Development Centers and SCORE. The Small Business Development Centers have helped about 2600 entrepreneurs, and about 600 of those were new businesses. Over 11,000 employees were represented among those 2600 companies, and those companies totaled nearly \$400 million in sales.

The Women's Business Center has assisted 154 new businesses which have added jobs to the New Orleans area. These services are invaluable to entrepreneurs trying to work through the challenges of a market under transition. And, these are great numbers that reflect the outstanding effort on behalf of some very dedicated people.

Third, are the ongoing efforts that SBA is making to advance the causes of small business—especially local small business—in getting their share of federal government contracts in the area.

We know that local businesses, especially small businesses, need those federal contracting dollars to get back on their feet and fuel the local economy. Small businesses are the hardest hit often, with their facilities, employees, families, and customers located in the affected areas. It's also important that we understand that hiring small businesses is not just good for them. It's good for all of us, because small businesses often perform better and cheaper – it's good business.

Just after Katrina, SBA dedicated personnel to assist in identifying small business contracting opportunities. A number of Procurement Center Representatives (PCRs) were assigned to work with federal agencies and to find opportunities for small businesses to get relief and reconstruction contracts, as well as to identify subcontracting opportunities in the Gulf Coast Region.

Local businesses received about a quarter of the \$16.4 billion in contracts awarded in the Gulf by federal agencies - half of those contracts have gone to local *small* businesses. We've held numerous outreach, recruiting, and matchmaking events around the region and we do and will continue to review where new contracting dollars are going.

Many of our efforts have paid off and we have continued to refine our efforts, so we can have a greater impact. We have had 514 new contracts directly related to Katrina recovery between April 15th and July 31st, and of those, 437 went to small businesses, for a total of \$242.6 million out of \$277.9 million. That's over 87 percent of government contracts, going to small businesses for that time.

Today, in our Louisiana office, contracting is the primary focus. Our local office maintains strong relationships with companies and works with them to identify contract opportunities while working with federal procuring agencies to give small business opportunities.

There are some strong examples of how this system can work, from right here in Louisiana. Creek Services, LLC, with 23 employees in Harvey, Louisiana has been successful in obtaining nearly \$13 million in awarded contracts with services ranging from canal widening to floodgate restoration. Jacquet Construction Service, with 13 employees in New Orleans, has received over \$30 million in contracts ranging from termite services to the deactivation of manufactured homes. Both of these companies worked with local SBA offices to receive government contracts, and are serving out their contracts and reaping the rewards of their efforts as we speak.

We are also working on finding creative ways to help small businesses get government contracts by partnering with each other, or by working with larger businesses. Particularly if these relationships are put in place before a disaster event, we believe that this will greatly expand the potential for these contracts to be granted to local businesses.

Finally, we are working with other federal agencies to focus on opportunities that will allow us to better focus post-disaster contracting toward small businesses in the future, especially those agencies involved in disaster relief like the Department of Homeland Security, the Army Corps of Engineers, and GSA. For example, the Army Corps of Engineers is working hard to identify small firms in disaster-prone areas that can provide critical post disaster services.

So to summarize, our focus at the SBA is in helping small businesses form and grow as an essential driver of a sustainable, viable economy, and we do so mostly by helping them get capital, counseling and technical assistance, and receive dollars from the federal government.

As we look forward, we are preparing for the potential passage of a bill approved by the Senate and sponsored by your Senators which allows the SBA to expand its ability to meet the financial needs of home and business owners in a major catastrophe by calling upon the vast banking network in our country - - by allowing banks to make disaster loans under the supervision of the SBA. We are already in discussions with major financial institutions to ensure that the bill, if ultimately signed into law, will be implemented quickly by the SBA.

Serving America's disaster victims is a high calling, and we are better prepared and engaged to serve than ever before.

Finally, none of us can do this alone - - we need to lock arms in a coordinated, complementary fashion. I'm very proud to announce today that the SBA has signed a Memorandum of Understanding with the United States Chamber of Commerce's Business Civic Leadership Center, which will help us leverage the tremendous support of the American business community in disaster relief.

The BCLC and the Chamber will assist SBA by providing timely information and on-site updates to the SBA in times of disaster. In addition, the BCLC will also work with SBA's resource partners, providing recovery assistance information to the local business community and details on how to prepare for disaster before it strikes.

We are also exploring ways to further leverage the tremendous generosity of the American business community. We get a lot of offers for volunteer work and assistance in the time of a disaster, and in working with the Chamber, we can utilize these generous offers better.

As we continue to focus on strengthening our efforts in New Orleans, I'm glad that we're standing here, two years after Katrina, and talking about hope, talking about recovery, talking about the future, and talking about the importance of small business, which is so integral to that future.

Every opportunity that is created for a local business creates more opportunities. Manufacturers need suppliers and logistical support. Working families need daycares, grocery stores, and gas stations. As the community rebuilds itself, there is an opportunity to capitalize on the value chain it enables, and that's what we are hoping to help bring about.

I'm honored to have been invited to speak with you today, and I commend Senator Landrieu on the strong work she and Senator Vitter are doing on behalf of all of the citizens of Louisiana. I am looking forward to the future and helping to rebuild Louisiana to a place where it is stronger than ever, and I believe that small businesses will lead that charge.